

# IBERCAJA BANCO 1H2019 RESULTS

July 26<sup>th</sup>, 2019

EL BANCO  
DEL  
*Vamos*

iberCaja 



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# KEY HIGHLIGHTS

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## STRONG COMMERCIAL DYNAMISM IN KEY SEGMENTS

+2.8%

Customer funds grow 2.8%  
YoY or €1,590m

4<sup>th</sup>

Fourth asset manager in  
terms of net inflows into  
mutual funds in 1H2019

+3.1%

Stock of performing loans to  
companies grow 3.1% YoY

## SIGNIFICANT INCREASE IN NET PROFIT

75.9  
€m

Net profit reaches €75.9m,  
1.9x above 1H2018 results

+11%

Recurring profit before  
provisions increases  
11.0% YoY

-24.4%

Provisions for credits and  
foreclosed assets fall  
24.4% YoY

# KEY HIGHLIGHTS

## STRONG NPA REDUCTION

**-40.5%**

NPAs decrease 40.5% YoY  
or €1,587m.

**-434  
b.p.**

Gross NPA ratio falls 434 b.p.  
to 6.9%.

**67  
b.p.**

NPL ratio stands 67 b.p.  
below sector average

## SOUND CAPITAL GENERATION

**11.2%**

CET1 Fully Loaded Ratio  
reaches 11.2%

**+69  
b.p.**

Ibercaja generates 69 b.p. of  
CET1 during the semester

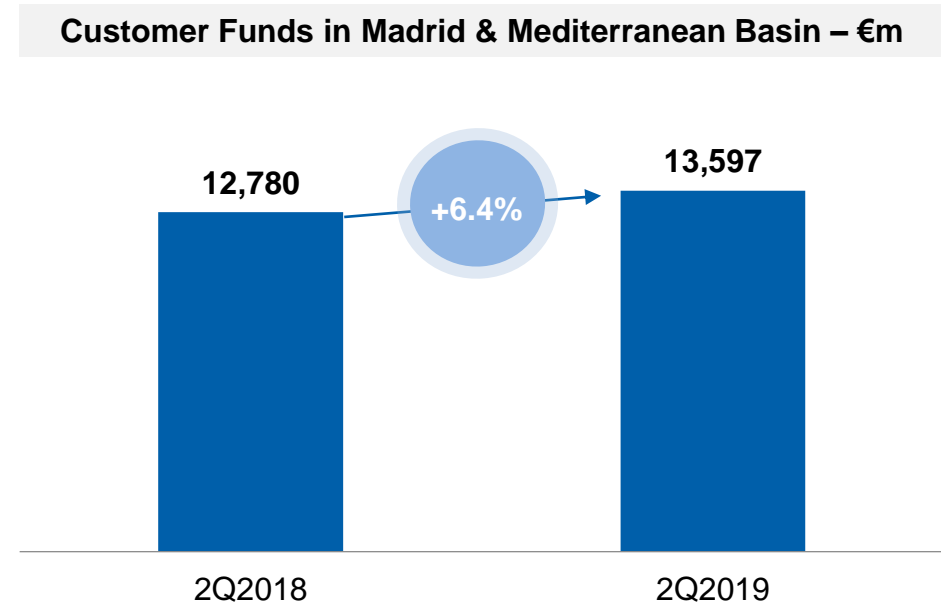
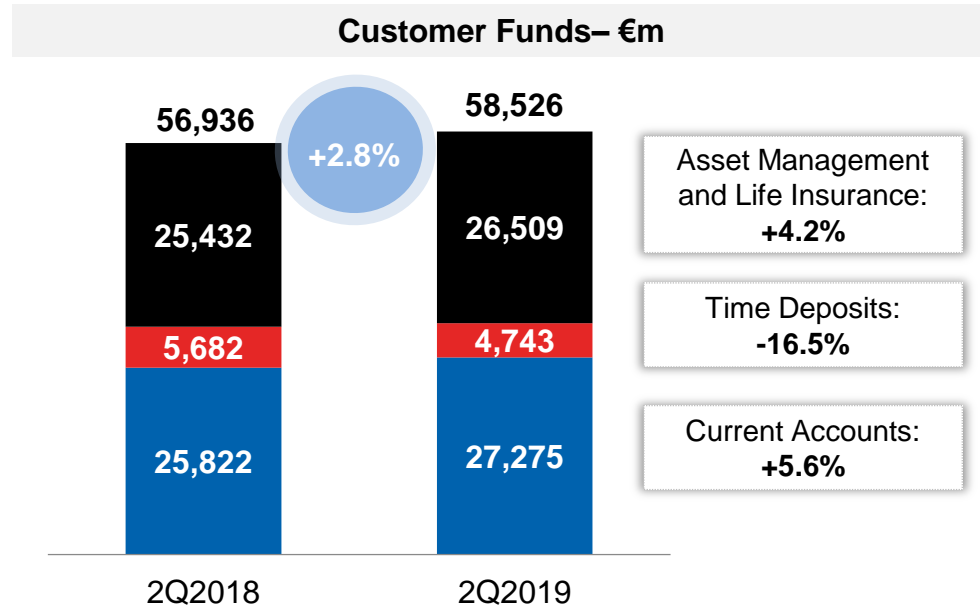
**15.2%**

Total Capital Fully Loaded  
ratio stands at 15.2%



# COMMERCIAL ACTIVITY

# CUSTOMER FUNDS



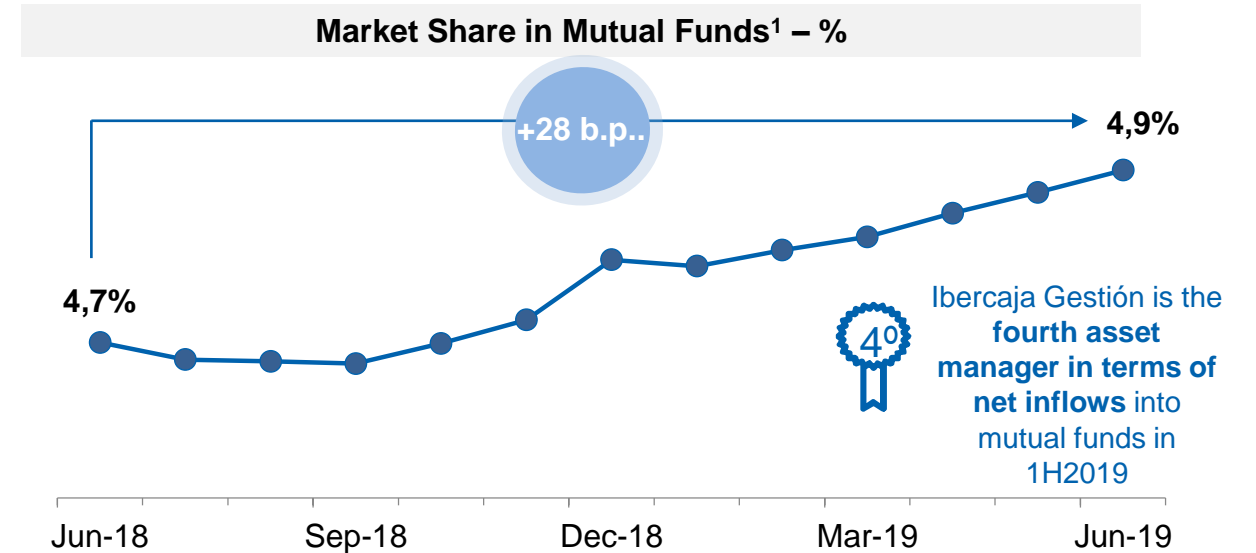
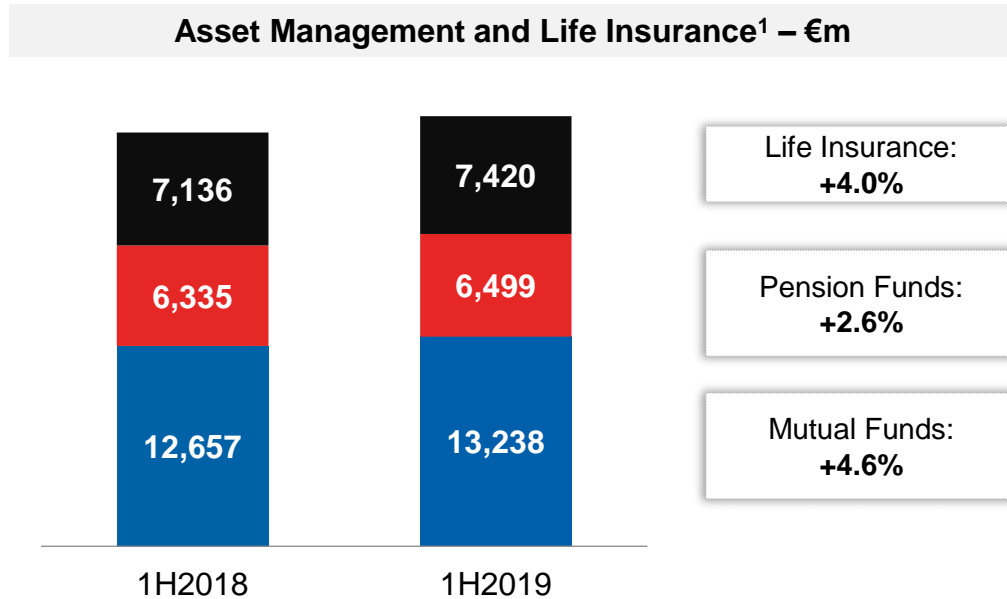
**Customer funds increased 2.8% YoY or €1,590m.**

- ▶ **Assets under management and life insurance products** grow **4.2%** or **€1,077m** and account for **45.3%** of total customer funds.
- ▶ Year-to-date almost **35,000 “Cuentas Vamos”** have been opened, for a total outstanding amount of **€220m**.

**Remarkable performance of customer funds in Madrid and Mediterranean Basin, which grow 6.4% or €817m.**



# ASSET MANAGEMENT AND LIFE INSURANCE



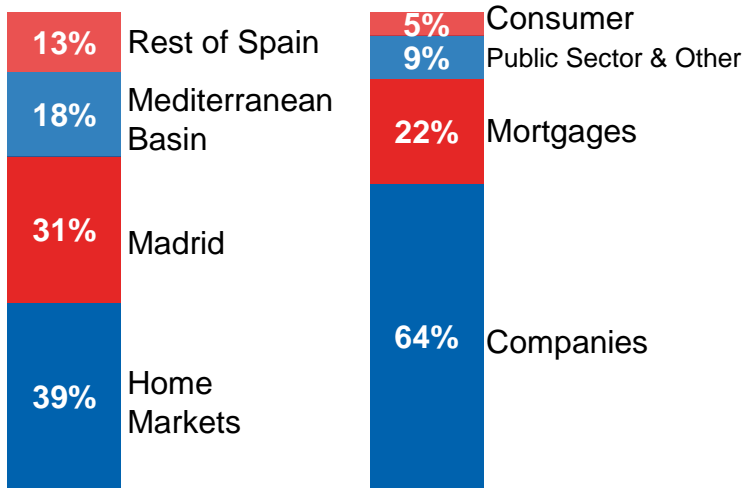
## Outstanding evolution in mutual funds:

- ▶ Ibercaja Gestión increases its **market share by 28 b.p.** in one year and reaches **4.9%**.
- ▶ This growth is mainly driven by **balanced mutual funds (+€979m)**.

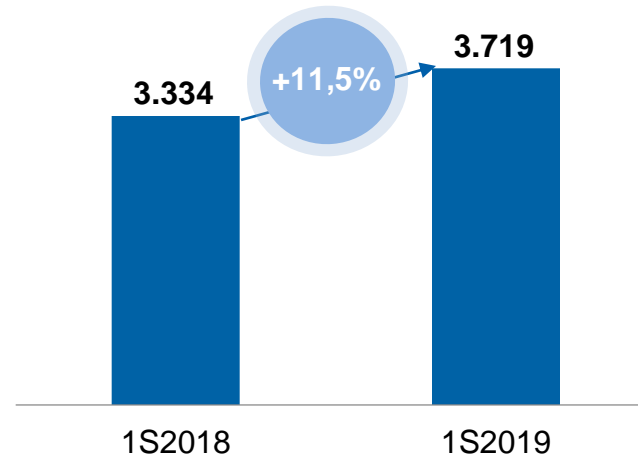
<sup>1</sup> Source: Inverco, ICEA

# CUSTOMER LOANS

New Lending Production – €m



Accumulated Working Capital Financing – €m



Loan Portfolio – €m

	2Q2018	2Q2019	YoY
<b>Loans to Individuals</b>	<b>21,425</b>	<b>20,836</b>	<b>-2.8%</b>
Mortgages	19,782	19,199	-2.9%
Consumer and Others	1,643	1,637	-0.4%
<b>Loans to Companies</b>	<b>7,529</b>	<b>7,764</b>	<b>3.1%</b>
Non-Real Estate Companies	6,573	6,763	2.9%
Real Estate Companies	955	1,001	4.8%
<b>Public Sector and Others</b>	<b>918</b>	<b>1,085</b>	<b>18.1%</b>
<b>Performing Gross Loans ex Repos</b>	<b>29,872</b>	<b>29,684</b>	<b>-0.6%</b>
Repos	966	1,602	65.9%
Doubtful Loans	2,434	1,639	-32.7%
<b>Gross Loans</b>	<b>33,273</b>	<b>32,926</b>	<b>-1.0%</b>

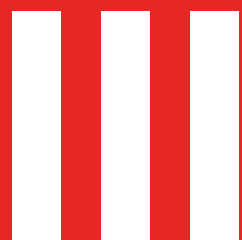
New lending reaches €2,568m with a diversification strategy focused in Madrid & Mediterranean Basin (48% of new lending) and companies (64% of new lending).

- ▶ Average size of new lending operations to companies stands at €86,000 which reflects Ibercaja’s commercial focus in SMEs.

Accumulated working capital financing grows 11.5% YoY.

Performing gross loans ex repos fall 0.6% YoY.

- ▶ The stock of performing loans to companies grow 3.1% YoY.

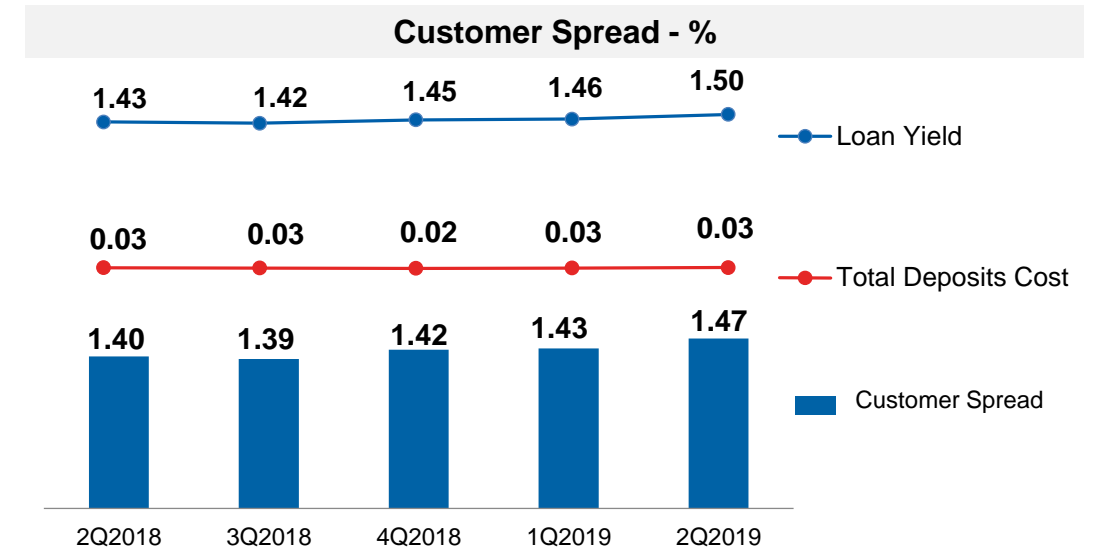
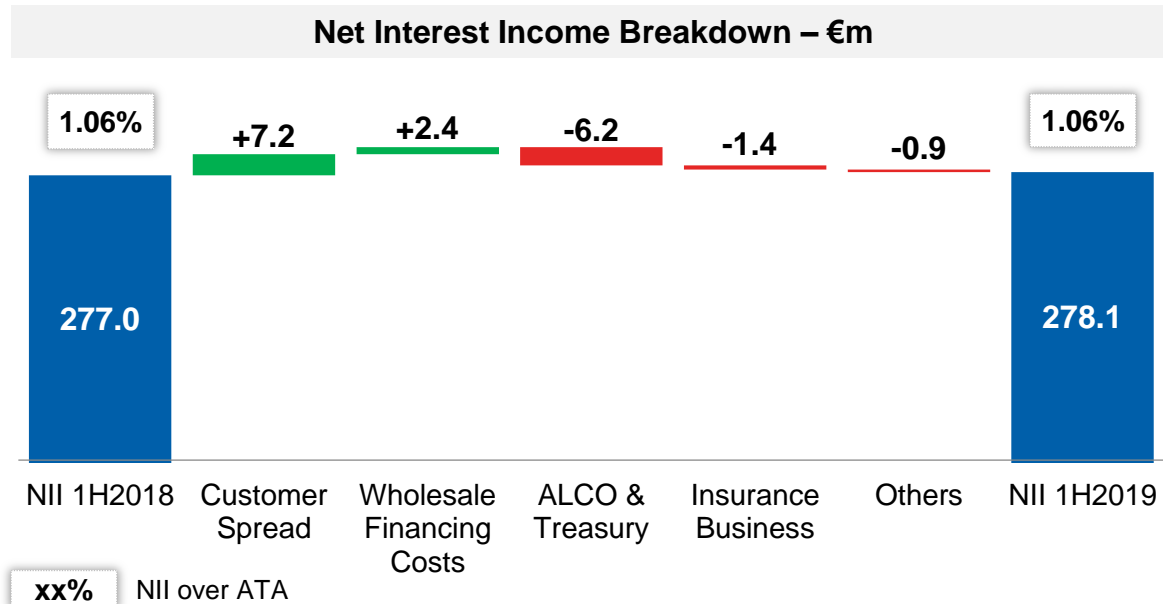


# RESULTS

# P&L ACCOUNT

	€m		
	1H2018	1H2019	YoY
Net Interest Income	277.0	278.1	0.4%
Net Fee Income	187.2	191.4	2.2%
<b>Recurring revenues</b>	<b>464.2</b>	<b>469.5</b>	<b>1.1%</b>
Gain/Losses on Financial Assets and Liabilities	35.5	12.3	-65.3%
Other Operating Income (net)	2.2	6.6	196.4%
<b>Gross Operating Income</b>	<b>502.0</b>	<b>488.4</b>	<b>-2.7%</b>
Operating Costs	-361.1	-293.4	-18.8%
of which: Recurring Costs	-305.6	-293.4	-4.0%
of which: Redundancy Plan	-55.5	0.0	n/a
<b>Pre-Provision Profit</b>	<b>140.8</b>	<b>195.0</b>	<b>38.5%</b>
Total Provisions	-67.0	-84.1	25.6%
Other Gains and Losses	-9.7	-0.5	-95.2%
<b>Profit before Taxes</b>	<b>64.2</b>	<b>110.5</b>	<b>72.1%</b>
Taxes & Minorities	-24.9	-34.6	38.5%
<b>Net Profit Attributable to Shareholders</b>	<b>39.3</b>	<b>75.9</b>	<b>93.4%</b>

# NET INTEREST INCOME

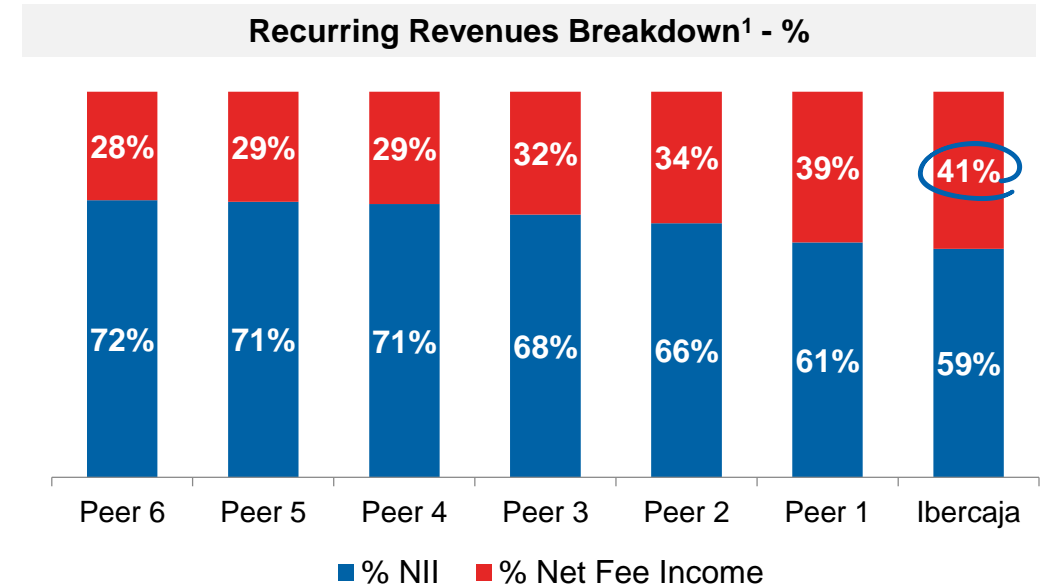
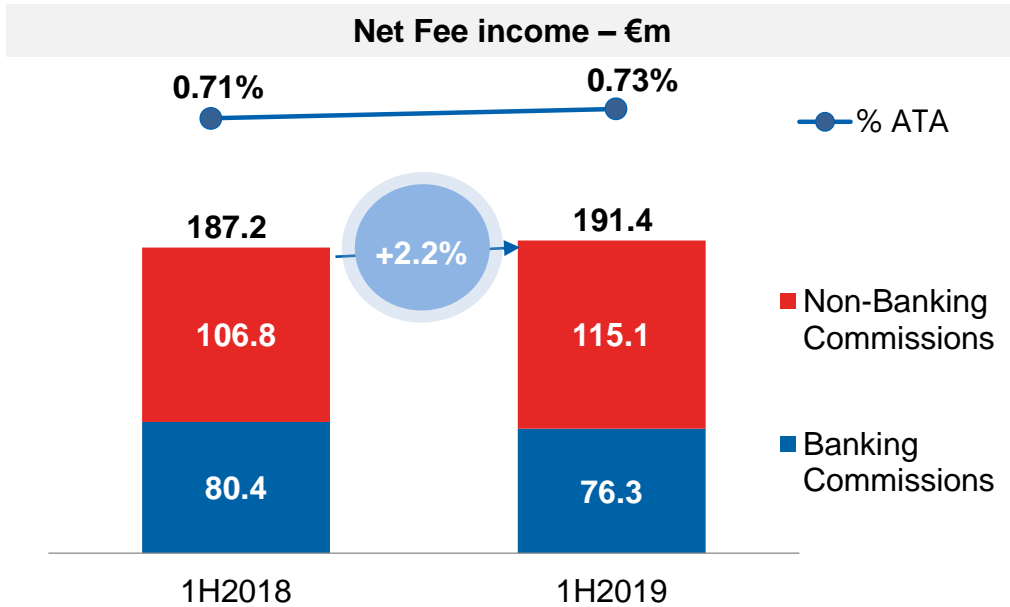


**Net interest income remains stable (+0.4% YoY or +€1.1m).**

- ▶ **Customer spread** grows 3.4% YoY or €7.2m. The improvement in loan revenues drives the increase in customer spread.
- ▶ **ALCO portfolio and treasury revenues** fall €6.2m vs. the same period of 2018. The **ALCO portfolio** accounts 11.0% of financial revenues.

**As a %, customer spread grows 7 b.p. and reaches 1.47%.**

# NET FEE INCOME



## Net fee income increase 2.2% YoY.

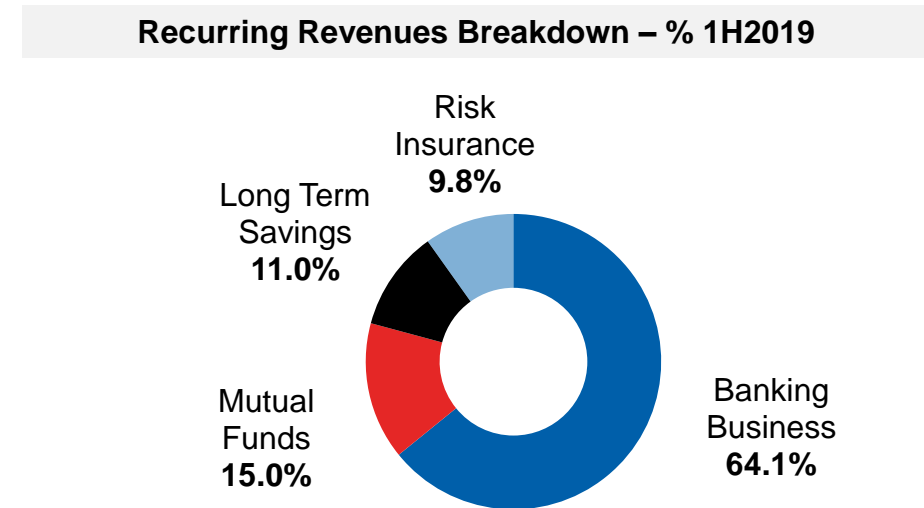
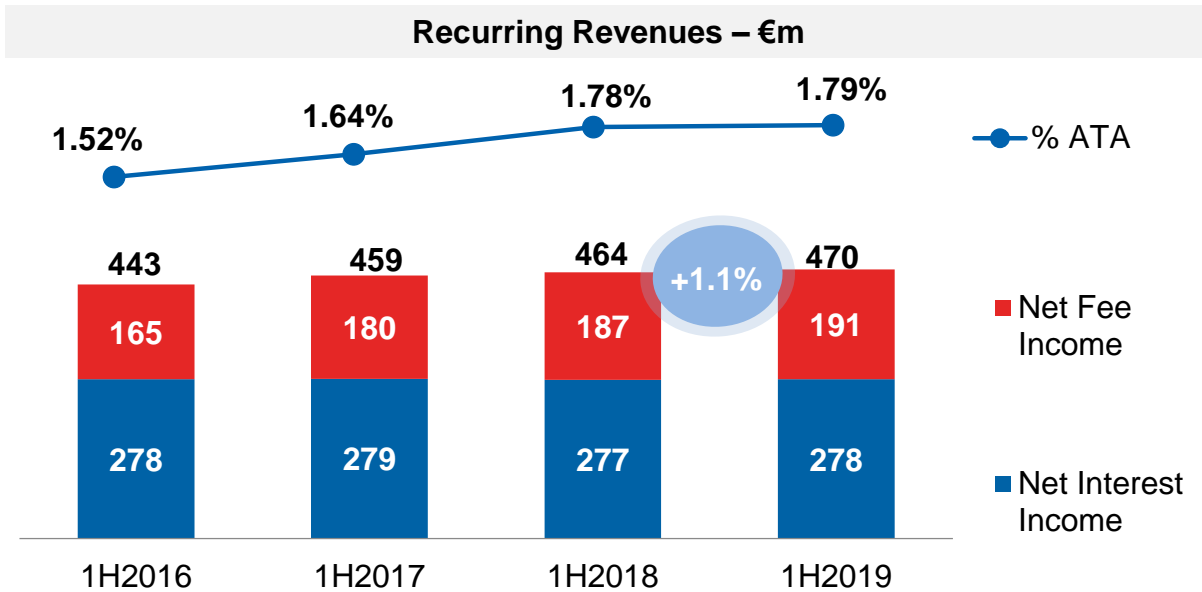
- ▶ **Non-banking commissions\*** (mutual funds, risk insurance and pension funds) rise **7.8% YoY**. These commissions represent **60%** of the bank's net fee income.
- ▶ **Banking commissions** decrease **5.2% YoY**.

**As a result of the strength of Ibercaja's asset management and bancassurance business, Ibercaja net fee income accounts for 41% of recurring revenues, the highest weight within the system.**

\* Includes non-banking financial products' commercialization and asset management.

<sup>1</sup> Entities considered: Bankia, Bankinter, Caixabank, Liberbank, Sabadell ex TSB and Unicaja. Peers data refers to 2018.

# RECURRING REVENUES

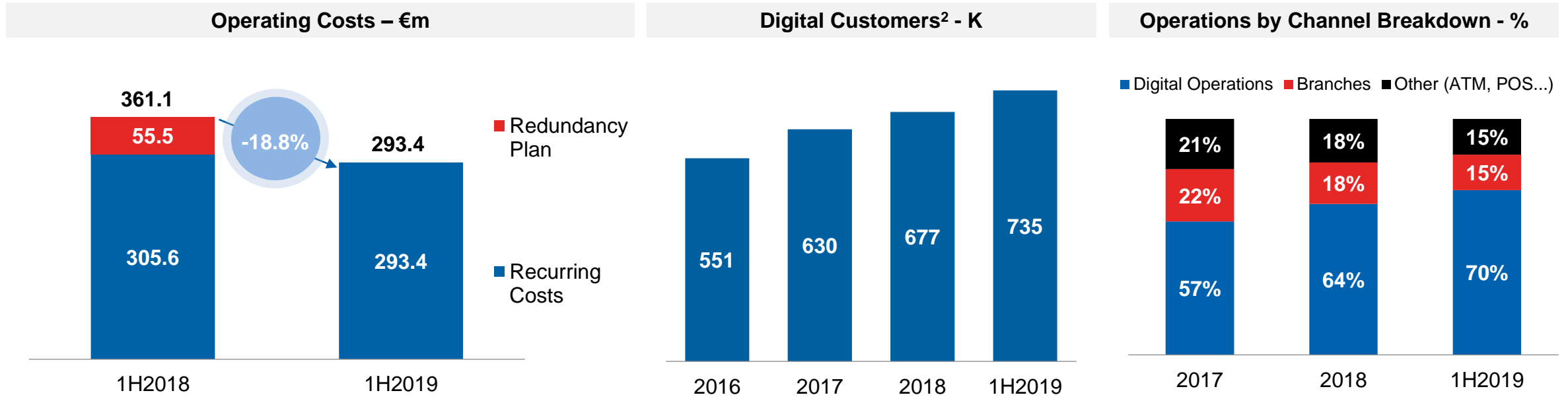


Revenue diversification through asset management and bancassurance has allowed Ibercaja to increase its recurring revenues for three years in a row.

- ▶ Recurring revenues grow 1.1% YoY and profitability over ATA improves 1 b.p. reaching 1.79%.
- ▶ Revenues from asset management and bancassurance represent 35.9% of Ibercaja's recurring revenues..

Recurring revenues account for 96% of Ibercaja's gross operating income.

# OPERATING COSTS



**Total operating costs decreased 18.8% YoY driven by the extraordinary costs accounted in 1Q2018.**

- ▶ **Recurring costs** fall 4.0% i.a. The company expects the cost base to remain flat through the year due to the launch of certain strategic initiatives.

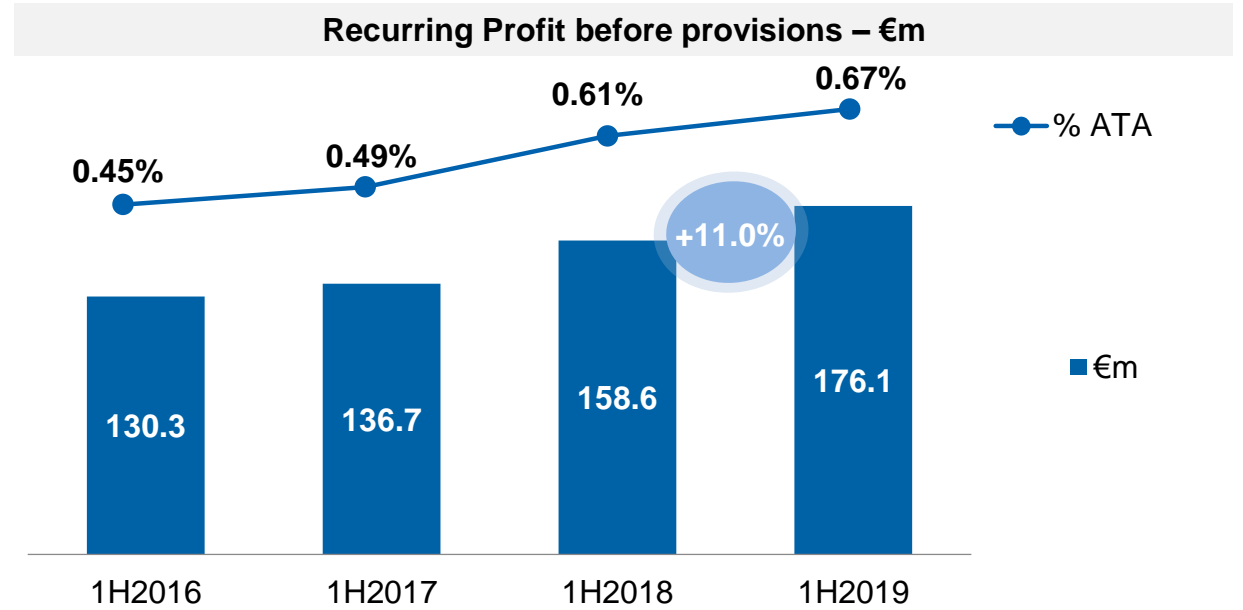
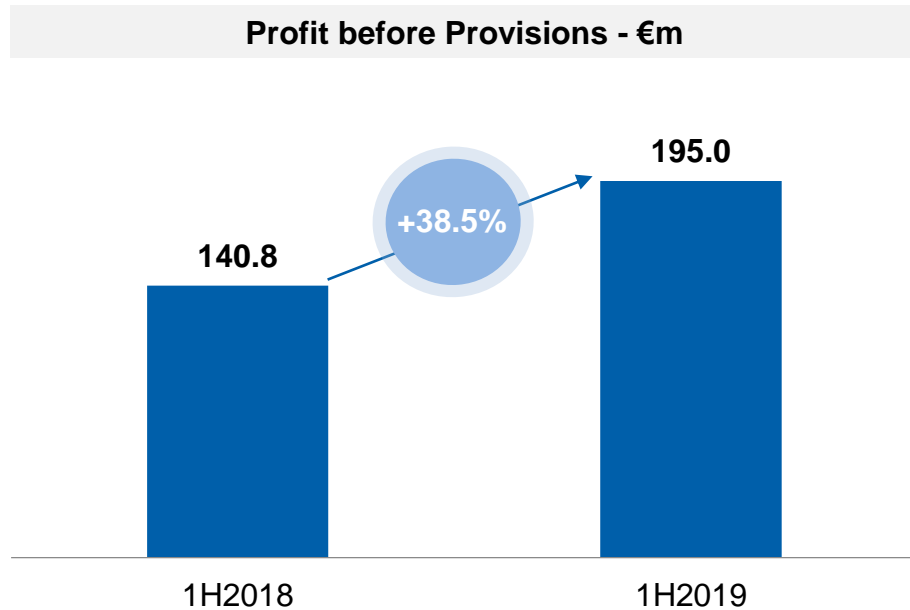
**Digital customers grow 8.6% vs. 2018, driven by Ibercaja app (+17%).**

- ▶ As a result of the progress in digital banking, during the first half of 2019, **70% of total customer operations** were executed through Ibercaja's digital assets (website and apps).

<sup>1</sup> Number of customers that have used the web or the app of Ibercaja during the last month



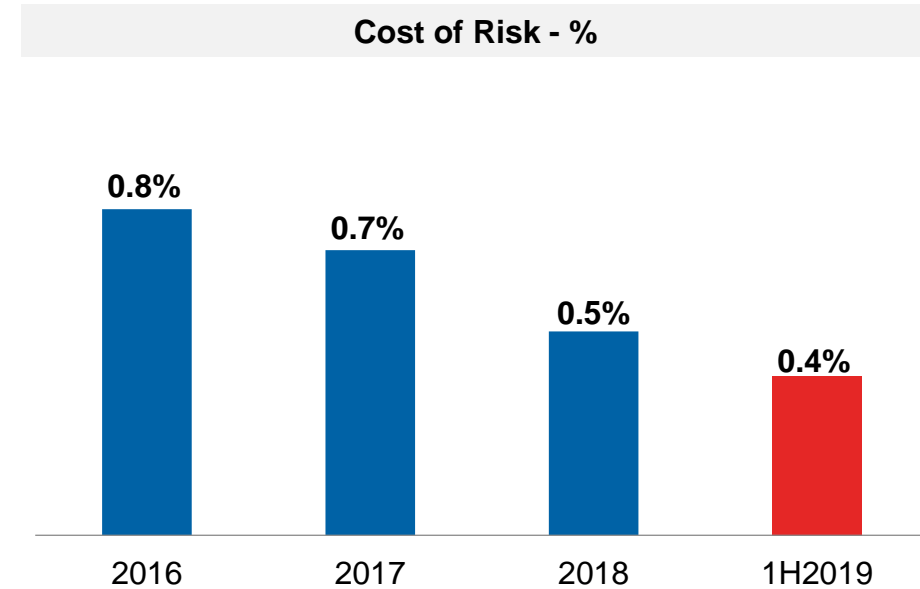
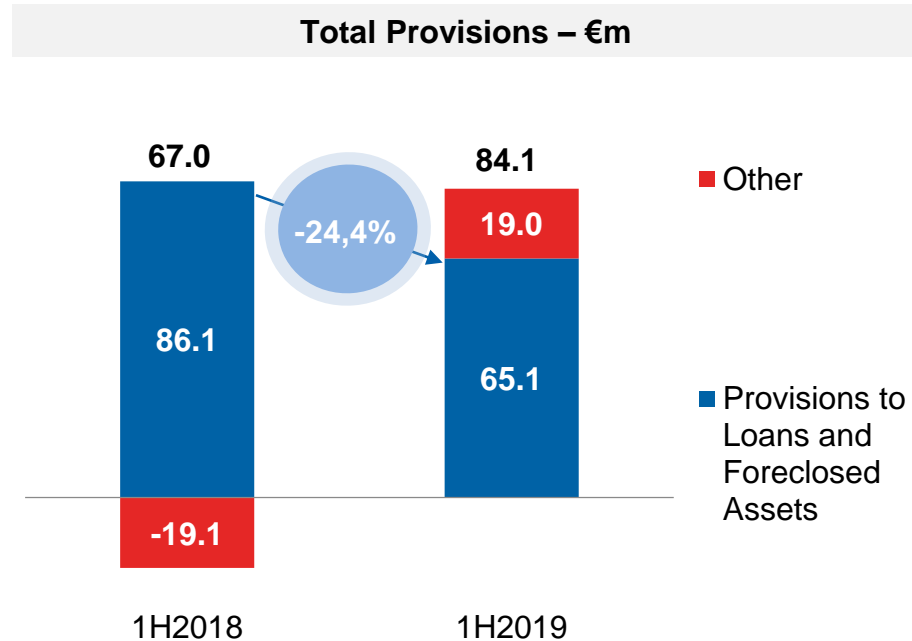
# PROFIT BEFORE PROVISIONS



Profit before provisions increases 38.5% YoY to €195m after redundancy plan costs in 1Q2018 (€55.5m).

Recurring profit before provisions (net interest income + net fee income – recurring costs) grow 11.0% YoY. As % of ATA, it improves 6 b.p. reaching 0.67%.

# PROVISIONS

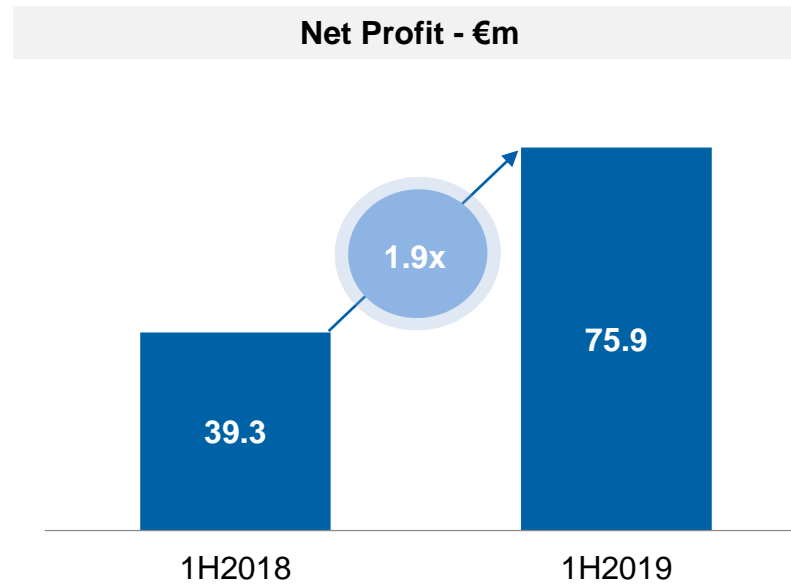


**Total provisions grow 25.6% YoY.**

- ▶ Provisions related to loans and foreclosed assets fall **24.4% YoY**.
- ▶ **Cost of risk** stands at **38 b.p.** (vs. 50 b.p. in 1H2018).

**Ordesa transaction (a portfolio which included loans to companies, mostly classified as doubtful, with a gross value of €534m) has had a negative impact of €27m. This transaction has been registered under financial operations result in 2Q results.**

# NET PROFIT



Net profit reaches €75.9m, which represents 1.9x vs. the result obtained in 1H2018.

# IV

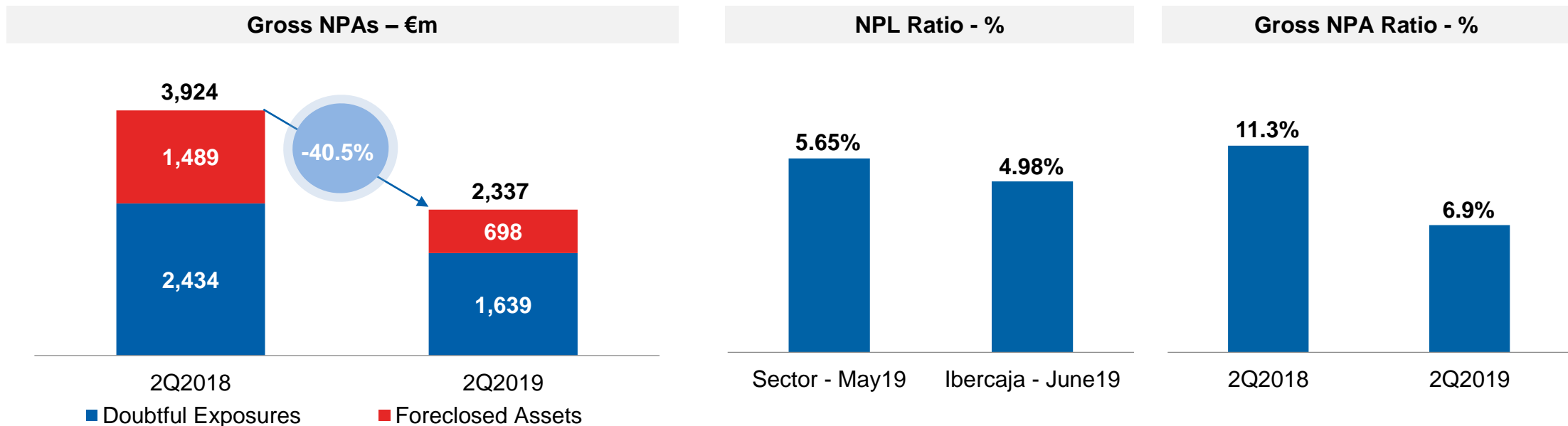
## ASSET QUALITY, LIQUIDITY AND SOLVENCY

# ASSET QUALITY(1/2)

**Non-performing assets – doubtful exposures and foreclosed assets – decrease 40.5% YoY or €1,587m.**

**Gross NPA ratio falls 434 b.p. during the year and reaches 6.9%.**

- ▶ **Stock of doubtful exposures** has decreased **32.7%** or **€795m** thanks to **Ordesa Portfolio sale** and the **reduction in NPL entries (-24.1%)**. NPL ratio falls 234 b.p. and stands below 5%. This level stands **67 b.p. below sector average**.
- ▶ **Stock of foreclosed assets** falls **53.2% YoY** or **€792m**. **Land sales** during the semester amount to **€75m**.

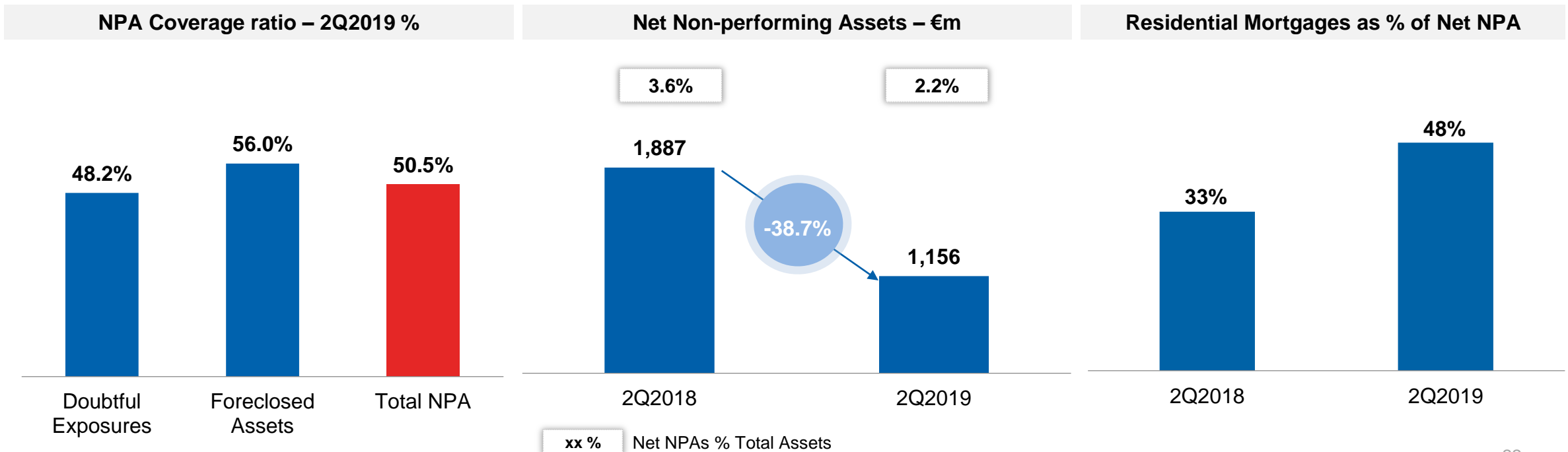


# ASSET QUALITY(2/2)

Coverage ratio of non-performing assets stands at 50.5%.

€731m / 38.7% reduction in net non-performing assets vs. 1H2018 driven by a reduction of gross non-performing assets coupled with the provisioning effort. Its weight as % of total assets reaches 2.2% (-141 b.p. YoY).

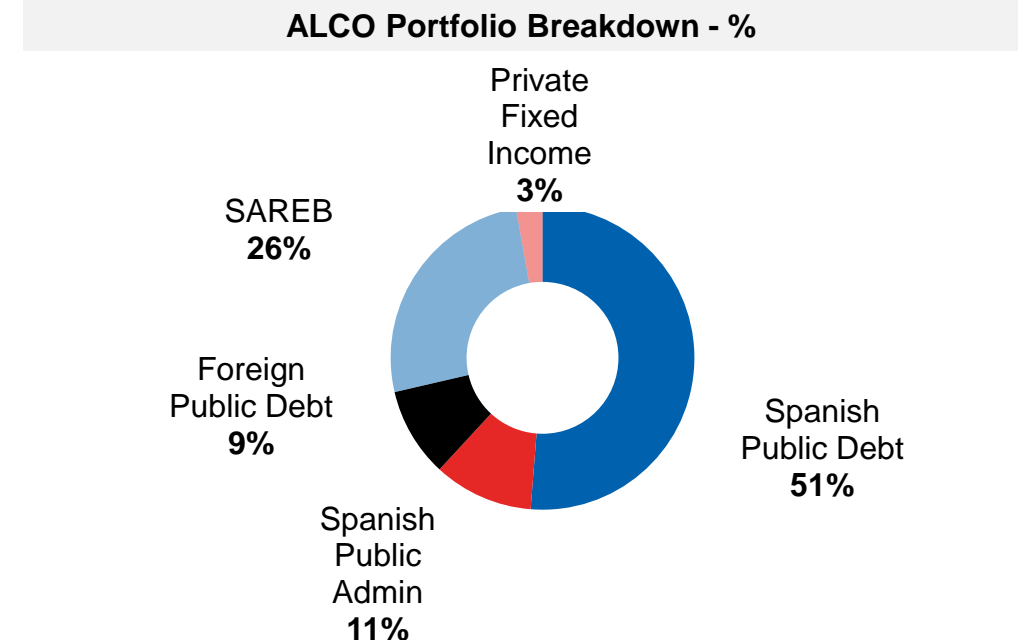
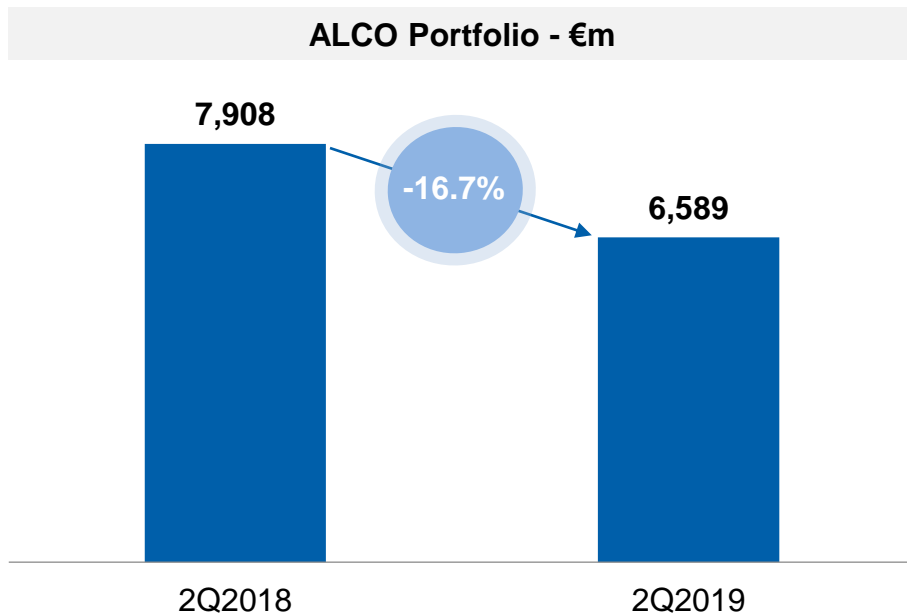
After executing Cierzo and Ordesa transactions, which were focused in foreclosed assets and loans to companies, **doubtful residential mortgages**, with a lower expected loss, account for 48% of net non-performing assets.



# ALCO PORTFOLIO

Fixed-income portfolio stands at €6,589m<sup>1</sup>. This portfolio has a low risk profile and is mainly composed of Spanish sovereign debt.

- ▶ Average duration of 2.7 years<sup>2</sup>.
- ▶ Average yield stands at 1.0% (ex SAREB bonds the yield is 1.3%).
- ▶ 95% of the portfolio is classified at **amortised cost**.



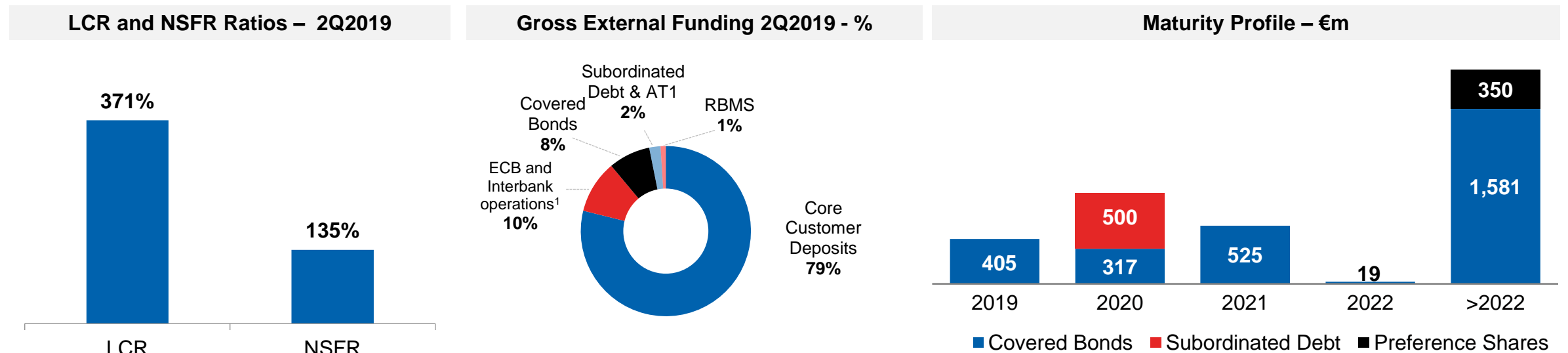
<sup>1</sup> Excluding the insurance portfolio.

<sup>2</sup> Includes interest rates swaps.

# LIQUIDITY AND FUNDING PROFILE

Ibercaja holds a comfortable liquidity position (liquid assets account for 21% of total assets) and a prudent funding profile (customer deposits account for 79% of gross external funding).

- ▶ **LCR and NSFR ratios** stand well above required levels.
- ▶ **LTD ratio** stands at **95.4%**



<sup>1</sup> Includes long term funding from institutional banks such as ICO and EIB.



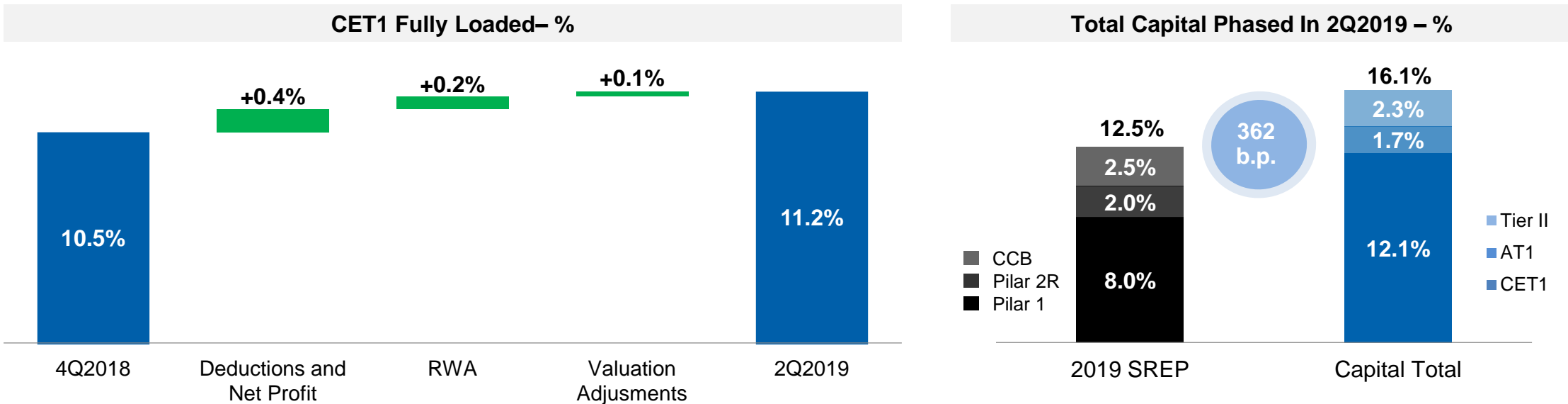
# SOLVENCY

**CET1 Fully Loaded ratio reaches 11.2% (+69 b.p. vs. 4Q2018) while the Total Capital Fully Loaded stands at 15.2%. The leverage ratio reaches 5.7%.**

- ▶ The **increase in net profit, lower deductions and RWA reduction** associated to the decrease in NPAs explain the increase in solvency ratios

**In phased in terms, CET1 ratio stands at 12.1% and Total Capital at 16.1% vs. 9% and 12.5% requirements, respectively.**

- ▶ Phased In solvency ratios stand **more than 300 b.p. above 2019 SREP requirements**

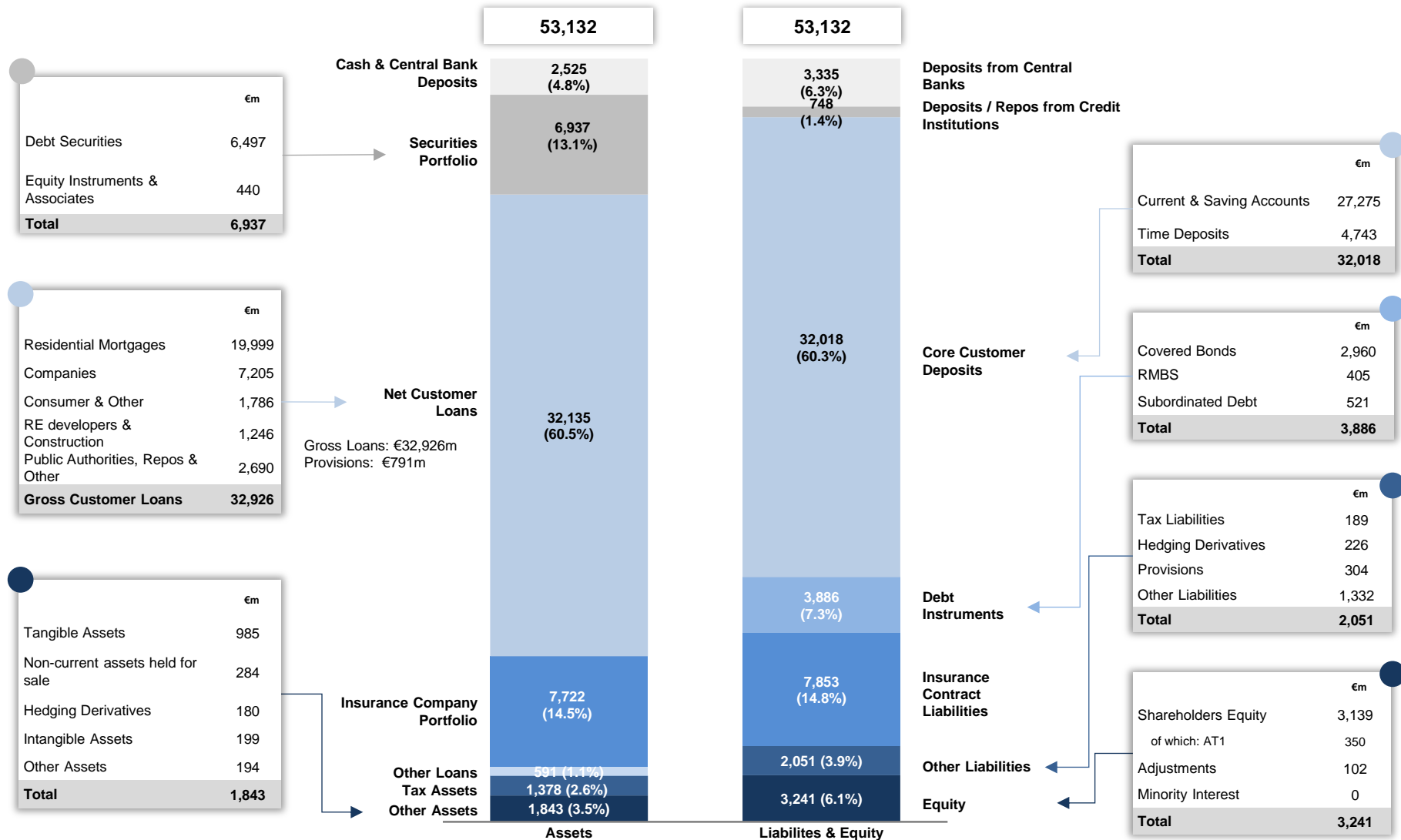


V

ANNEX

# CONSOLIDATED BALANCE SHEET

30/06/2019



# GLOSSARY

Ratio / APM	Definition
<b>Customer Spread</b>	Difference between the average yield on the loan portfolio and the cost of retail deposits (ex. repos and covered bonds)
<b>Recurring Revenues</b>	Net interest income plus net fee and commission income plus net exchange differences
<b>Recurring Costs</b>	Personnel expenses plus other administration expenses plus amortisation and depreciation minus extraordinary expenses (redundancy plan)
<b>Recurring Profit before Provisions</b>	Recurring revenues minus recurring costs
<b>NPL ratio</b>	Doubtful balances in loans and advances to customers divided by gross loans and advances to customers
<b>NPL coverage ratio</b>	Loans and advances to customers impairments divided by balances in loans and advances to customers
<b>Foreclosed Assets coverage ratio</b>	Foreclosed assets impairment losses (since loan origination) divided by gross foreclosed assets
<b>Non-performing Assets (“NPAs”)</b>	Sum of doubtful balances in loans and advances to customers and gross foreclosed assets
<b>NPA ratio</b>	Gross non-performing assets divided by gross loans and advances to customers plus gross foreclosed assets
<b>NPA coverage ratio</b>	Sum of foreclosed assets impairments and loans and advances to customers impairments divided by gross non-performing assets
<b>Cost of Risk</b>	Sum of impairments associated with credit risk and foreclosed assets divided by the average balance of the sum of gross loans and foreclosed assets
<b>Liquid Assets % Total Assets</b>	Total liquid assets divided by total assets. Liquid assets include unencumbered public debt + available & eligible fixed income assets (after ECB haircut applied)
<b>Loans-to deposits ratio</b>	Net customer loans (ex. repos) divided by customer deposits (ex. repos and covered bonds)
<b>Net Stable Funding Ratio</b>	Amount of available stable funding relative to the amount of required stable funding
<b>Liquidity Coverage Ratio</b>	High quality liquid assets divided by net outflows during the following 30 days
<b>ALCO portfolio</b>	Bank’s fixed-income portfolio. Excludes the fixed-income portfolio of the insurance company

# THANKS

For further information:  
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